

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

STR-06 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 SOE-02

OMB-01 DOE-11 /114 W

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R 131657Z JAN 78

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4755

INFO AMEMBASSY BRUSSELS

USMISSION GENEVA

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USEEC

USMISSION ALSO FOR USMTN

E.O. 11652: NA

TAGS: EGEN, ETRD, GW

SUBJ: DISCUSSIONS OF DEPUTY ASSISTANT SECRETARY
HORMATS ON BROAD RANGE OF TOPICS.

1. DURING A SHORT BUT BROAD-RANGING VISIT TO BONN
ON JANUARY 11/12, DEPUTY ASSISTANT SECRETARY ROBERT
HORMATS MET WITH FRAU STEEG, ASSISTANT SECRETARY IN
THE ECONOMICS MINISTRY, AND HER DEPUTY, DR. MUELLER-
THUNS.

2. THE MEETING AT THE ECONOMICS MINISTRY WAS VERY
MUCH DEVOTED TO NORTH/SOUTH ISSUES CONCENTRATING ON
PROBLEMS WITH THE COMMON FUND. BOTH THE GERMAN AND
U.S. SIDES AGREED THAT WE SHOULD NOT PAY ANYTHING
TO OBTAIN RESUMPTION OF NEGOTIATIONS WITH THE G-77
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ON THE SUBJECT. BOTH MUELLER-THUNS AND FRAU STEEG
EXPRESSED STRONG RESERVATIONS CONCERNING ANY FURTHER
CONCESSIONS ON THE COMMON FUND, INCLUDING A "SECOND
WINDOW", BUT LEFT OPEN THE POSSIBILITY OF SOMETHING
UNDRAMATIC AT THE END OF WHATEVER NEGOTIATING PROCESS
WE HAVE. FRAU STEEG MADE CLEAR THE LACK OF
ENTHUSIASM OF MINISTER LAMBSDORFF ON THE ENTIRE

COMMON FUND EXERCISE.

3. HORMATS STRESSED THE URGENCY OF AGREEMENT ON AN EXTENSION OF A HOPEFULLY IMPROVED GENTLEMEN'S AGREEMENT ON EXPORT CREDIT. BOTH FRAU STEEG AND MUELLER-THUNS SHARED THE VIEW THAT SUCH AN AGREEMENT WAS NEEDED AND REFERRED TO THE PROBLEMS OF THE FRENCH. THEY ALSO STRESSED THAT, ALTHOUGH THE FRG ITSELF HAD SOME MINOR PROBLEMS WITH THE U.S. PROPOSALS, THERE WAS NO REASON WHY THEY COULD NOT BE WORKED OUT BETWEEN US WITHOUT VERY MUCH DELAY.

4. FRAU STEEG EXPRESSED A FAIR DEGREE OF CONFIDENCE THAT SOMETHING REASONABLY SATISFACTORY COULD BE WORKED OUT AT THE EC COUNCIL ON JANUARY 17 TO TABLE IN GENEVA ON JANUARY 23. NOT SURPRISINGLY, SHE STRESSED AS THE MAIN STUMBLING BLOCK FRENCH RESISTANCE TO ANY FIRM COMMITMENT ON THE TARIFF CUT RANGE OF A MAGNITUDE DESIRED BY THE U.S. SHE ALSO REFERRED TO PROBLEMS WITH THE "NO NET EXCEPTION" CONCEPT, A PROBLEM SHARED BY THE FRG ITSELF. IN ADDITION TO THE FRENCH DIFFICULTIES, SHE MENTIONED SOMETHING LESS THAN ENTHUSIASM ON THE PART OF THE BELGIANS AND THE ITALIANS IN EC DISCUSSIONS OF THE MTNS.

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5. TALKS AT THE FOREIGN OFFICE WITH DEPUTY ASSISTANT SECRETARY MATHIAS AND DIRECTOR FOR MULTILATERAL ECONOMIC COOPERATION SULIMMA COVERED OUTLOOK FOR THE OVERVIEW MECHANISM AND THE COMMON FUND (CF).

6. OVERVIEW MECHANISM -- THE GERMANS HAVE FROM THE OUTSET BEEN SUSPICIOUS AND UNENTHUSIASTIC ABOUT A NEW BODY ACTING IN AN OVERVIEW CAPACITY, PREFERRING TO KEEP SUCH A TASK WITHIN ECOSOC. SULIMMA ADDED HE DID NOT BELIEVE THE U.S. PROPOSAL FOR A RESTRICTED-SIZE GROUP COULD SUCCEED, SINCE THE G-77 WOULD OPPOSE IT AND BECAUSE PICKING THE SELECT COUNTRIES THAT WOULD MAKE UP THE GROUP WOULD BE EXTREMELY TOUCHY AND DIFFICULT. IN THE FRG VIEW, THE MAIN OBJECTIVE OF THE G-77 IN ANY OVERVIEW BODY WOULD BE TO ELEVATE MEETINGS TO THE HIGHEST POSSIBLE LEVEL, IF POSSIBLE, MINISTERIAL LEVEL, WHERE LDCS BELIEVE THEY HAVE THE BEST CHANCE OF PRESSURING INDUSTRIAL COUNTRY LEADERS INTO GIVING IN TO G-77 DEMANDS. MATHIAS AND SULIMMA AGREED THAT ANY OVERVIEW BODY

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SHOULD NOT BE A NEGOTIATING FORUM AND THAT TOPICS
FOR DISCUSSION SHOULD BE BROAD AND CONCEPTUAL, WITH
A VIEW TO AVOIDING RESOLUTIONS CALLING FOR ACTION
WHICH WOULD BE DIFFICULT TO CARRY OUT. THE GERMANS
RAISED THE QUESTION OF HOW GROUP B COUNTRIES COULD
BETTER COORDINATE THEIR POSITIONS AND TACTICS,
POINTING OUT THAT THERE WAS MUCH ROOM FOR IMPROVEMENT,
PARTICULARLY AT THE UN IN NEW YORK. THEY EXPLORED
THE POSSIBILITY OF A CONTINUATION OF THE NORTH-SOUTH
(ROBERTS) COMMITTEE AS A FOCAL POINT FOR COORDINATION
OF POLICY ISSUES.

7. COMMON FUND -- SULIMMA INDICATED THAT FOREIGN
/M/NISTER GENSCHER WAS MORE FAVORABLE TOWARD ACCOM-
MODATING G-77 DEMANDS ON THE CF AND A "SECOND WINDOW"
THAN OTHERS IN THE GOVERNMENT. HE CONFIRMED THAT COUNT
LAMBSDORFF, THE /MINISTER OF ECONOMICS, TOOK A VERY
NEGATIVE VIEW OF G-77 DEMANDS AND HAD BEEN BUTTRESSED
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IN THESE VIEWS IN RECENT DAYS BY SUPPORT FROM GERMAN
INDUSTRY. /WHILE NO FINAL DECISIONS HAVE YET BEEN.
MADE ON THE FRG POSITION AT THE NEXT CF MEETING. IT
APPEARS THAT THE PROPONENTS OF THE HARD LINE TOWARD
THE CF RETAIN THE UPPER HAND.

8. COMMENT: THE FRG CONTINUES TO STUDY INTENSELY
EVERY NUANCE OF THE U.S. POSITION ON COMMODITIES
AND COMMON FUND, FEARING THAT THERE MAY BE LAST
MINUTE CHANGES IN THE U.S. POSITION WHICH LEAVE
THE FRG OUT ON A LIMB. IN GENERAL, A STRONG U.S.
POSITION ENABLES THE CONSERVATIVES (ECONOMICS
MINISTRY) IN THE FRG TO CARRY THE DAY WITHIN THE
GOVERNMENT AND CONSEQUENTLY ENABLES THE FRG TO TAKE
A CONSERVATIVE LINE WITHIN THE EC. WHILE WE
RECOGNIZE THAT LAST-MINUTE CHANGES IN U.S. POSITIONS
CANNOT BE FORESEEN, TO SECURE FULL FRG COOPERATION
(WHICH IS MORE OFTEN THAN NOT WILLINGLY GIVEN),
TIMELY AND FULL DISCUSSIONS OF U.S. VIEWS PRIOR TO
INTERNATIONAL MEETINGS ARE EXTREMELY IMPORTANT.
STOESSEL

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